

Message Text

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S E C R E T MOSCOW 14888

NODIS

FROM ROBINSON

E.E. 11652: GDS

TAGS: ETRD, EEWT, UR, US

SUBJECT: GRAIN/OIL NEGOTIATIONS

REF: A. STATE 244346; B. STATE 245190

1. AMBASSADOR STOESSEL AND I MET WITH PATOLICHEV, KUZ'MIN AND GORDEYEV THIS MORNING FRIDAY OCTOBER 17 FOR A THREE-HOUR SESSION AIMED AT BRINGING OUR GRAIN/OIL NEGOTIATIONS TO A CONCLUSION. THE SOVIETS' ATTITUDE WAS EXTREMELY COLD, UNHAPPY AND VERY HARD. I PRESENTED OUR POSITION IN ACCORDANCE WITH OBJECTIVES SET FORTH REFTELS A AND B AND ULTIMATELY WE ACHIEVED SOME PROGRESS BUT IT IS CLEAR THAT WE CANNOT COMPLETELY FULFILL THESE OBJECTIVES. PATOLICHEV REPORTED IN SOME DETAIL ON DOBRYNIN'S OCTOBER 14 MEETING WITH SECRETARY KISSINGER INDICATING A FIRMNESS IN THE SOVIET POSITION ON AN OIL PRICE DISCOUNT AND RECONFIRMED THAT THERE WAS NO FURTHER COMPROMISE POSSIBLE ON SOVIET SIDE ON THIS ISSUE.

2. IT IS OUR CONCLUSION THAT U.S. INTERESTS WOULD BE BEST SERVED BY ATTEMPTING TO REACH A FINAL CONCLUSION BY TONIGHT FRIDAY OCTOBER 17 MOSCOW TIME ON BEST BASIS OBTAINABLE. WE HAVE A FURTHER MEETING AT 4:30 P.M. TODAY TO RECEIVE A MORE DEFINITIVE RESPONSE TO OUR PROPOSALS SUBMITTED THIS MORNING BUT, ANTICIPATING A REJECTION OF THE CONCEPT OF A SIDE LETTER AMPLIFYING THE

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OIL LETTER OF INTENT, WE REQUEST AUTHORITY TO CONCLUDE

THESE NEGOTIATIONS ON BASIS OUTLINED BELOW.

3. WE INDICATED PRESIDENT FORD'S INTENTION TO LIFT THE MORATORIUM ON GRAIN EXPORTS TO THE USSR AFTER CONCLUSION OF THE AGREEMENT ON GRAIN AND LETTER OF INTENT ON OIL. WE POINTED OUT, HOWEVER, THE NEED FOR A STATEMENT INDICATING LIMITS ON THE QUANTITY OF GRAIN WHICH COULD BE PURCHASED BY THE SOVIETS WITHOUT FURTHER CONSULTATION. PATOLICHEV RESISTED OUR ATTEMPT TO PUT HIM IN A POSITION WHICH HE DESCRIBED AS PETITIONING FOR ADDITIONAL GRAIN BUT ASSURED US THAT THEY WOULD NOT PROCEED ON A BASIS WHICH WOULD DISRUPT OUR ECONOMY. FINALLY I SUGGESTED A COMPROMISE CALLING FOR SOVIET AGREEMENT TO AN ANNOUNCEMENT BY PRESIDENT FORD ALONG THE FOLLOWING LINES: "THE U.S. HAS ASKED THE USSR NOT TO PURCHASE MORE THAN FIVE MILLION TONS OF ADDITIONAL GRAIN DURING THE CURRENT YEAR WITHOUT CONSULTATION, AND, IF THE USSR NEEDS MORE GRAIN, THE PARTIES WILL HOLD APPROPRIATE CONSULTATIONS." (ALTHOUGH NOT DISCUSSED WITH THE SOVIETS, IF DEEMED DESIRABLE IN WASHINGTON, THIS COULD BE FOLLOWED BY FURTHER UNILATERAL CLARIFICATION ON THE U.S. SIDE SUCH AS: "WE WILL ENSURE THAT FURTHER EXPORTS WILL BE MONITORED IN ACCORDANCE WITH THIS FORMULA.") PATOLOCHEV SEEMED TO FIND THIS ACCEPTABLE BUT INDICATED THAT HE WOULD HAVE TO SEEK APPROVAL FROM HIGHER AUTHORITY WHICH I INTERPRET AS AN EFFORT TO BALANCE MY STATEMENT THAT I WOULD REQUIRE AUTHORITY TO AGREE TO THIS WORDING.

4. I ADVISED PATOLICHEV THAT, IN THE OIL LETTER OF INTENT, WE MUST REPLACE THE WORDS "WITHIN 30 DAYS" WITH FOLLOWING: "TO COMMENCE NEGOTIATIONS PROMPTLY." ALTHOUGH HE WAS RELUCTANT TO CONFIRM THIS OFFICIALLY, IT APPEARS THAT THERE WILL BE NO PROBLEM WITH THIS REVISION. (I FELT THAT IT WAS INADVISABLE TO DISCUSS A SPECIFIC TIME AND PLACE FOR COMMENCEMENT OF THESE NEGOTIATIONS AT THIS STAGE, BUT WILL DO SO WHEN ALL OTHER ISSUES ARE RESOLVED. I AM HOPEFUL THAT YOU WILL AGREE TO COMMENCEMENT "NEXT WEEK" RATHER THAN "OCTOBER 22," WHICH SOVIETS WILL EQUATE TO COMMENCEMENT OF MARITIME AGREEMENT NEGOTIATIONS, WHICH COULD AROUSE UNNECESSARY FEARS PRIOR CONCLUSION OF THESE NEGOTIATIONS.")

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5. I STATED THAT WE MUST HAVE A CLARIFICATION OF OUR MUTUAL UNDERSTANDING AS TO THE MEANING OF THE PRICE CLAUSE 6 IN THE OIL LETTER OF INTENT. I POINTED OUT THAT WE HAD ALREADY AGREED AT LEAST SOME PORTION OF THIS OIL WOULD MOVE TO THE U.S. AND THE PRICE OF THIS OIL DELIVERED IN THE U.S. MUST BE ATTRACTIVE IN COMPARISON WITH THE DELIVERED COST OF OIL OF COMPARABLE QUALITY

FORM OTHER SOURCES. I THEN PRESENTED A DRAFT OF THE SIDE LETTER AS INSTRUCTED REFTEL A, PARA 3. ALTHOUGH PATOLICHEV SAIDE THAT THEY MUST STUDY THIS MORE CLAREFULLY BEFORE GIVING US A FORMAL REPLY, HIS INITIAL REACTION WAS NEGATIVE, AS FOLLOWS:

A. THE LETTER WAS UNNECESSARY IN THAT ITS BASIC PRINCIPLES HAD BEEN AGREED AND WERE RELECTED IN THE OIL LETTER OF INTENT.

B. WE WERE EMPHASIZING CERTAIN COMMERCIAL AND TECHNICAL MATTERS WHICH MUST BE NEGOTIATED BY OTHERS THAN HIGH RANKING REPRESENTATIVES OF THE U.S. STATE DEPARTMENT AND SOVIET MINISTRY OF FOREIGN TRADE.

C. WE WERE SEEKING SOMETHING WHICH WE MIGHT WAVE AROUND PUBLICLY TO EMBARRASS THE SOVIETS ON THE PRICE QUESTION (HE WAS CLEARLY SUSPICIOUS OF OUR MOTIVATION).

6. PATOLICHEV INDICATED THAT HE WOULD BE REPORTING TO BREZHNEV AND KOSYGIN PROMPTLY ON THE TEXT OF THE PRESIDENT'S STATEMENT ON ADDITIONAL SOVIET GRAIN PURCHASES (PARA 3 ABOVE) AND ON DELETION OF 30-DAY LIMITATION IN OIL LETTER OF INTENT (PARA 4 ABOVE). HE GAVE US IMPRESSION THAT THESE WOULD BE APPROVED. HE ALSO INDICATED HE WOULD DISCUSS SIDE LETTER (PARA 5 ABOVE) BUT LEFT US WITH IMPRESSION THAT THIS WOULD BE OPPOSED.

7. IT APPEARS THAT WE HAVE THE OPTION OF HOLDING FIRM ON THE SIDE LETTER WITH MODIFICATIONS SUGGESTED REFTEL A PARA 4 (WHICH WE DID NOT DISCUSS AND WHICH WE DO NOT THINK WILL MAKE THIS ANY MORE ACCEPTABLE TO THE SOVIETS) OR, ALTERNATIVELY, WE CAN SEEK A SOLUTION WITHOUT THE SIDE LETTER. IF, FROM OUR SECOND MEETING WITH THE SOVIETS THIS AFTERNOON, WE ARE CONVIENCED THAT THERE WILL

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BE MAJOR PROBLEMS INOBTAINING ACCEPTANCE OF A SIDE LETTER ALONG THE LINES SUGGESTED REFTEL A, WE REQUEST AUTHORIZATION TO ACCEPT AN ALTERNATIVE SOLUTION REVISING PRICE CLAUSE 6 OF THE OIL LETTER OF INTENT TO COMBINE THE INTITAL FORMULATION PROPOSED BY THE SOVIETS (MOSCOW 14238) WITH THE SUBSEQUENT FORMULATION (MOSCOW 14241) WHICH WE HAVE BOTH TENTATIVELY ACCEPTED. THE NEW TEXT FOR CLAUSE 6 WOULD THEN READ AS FOLLOWS: " PRICES FOR CRUDE OIL AND PETROLEUM PRODUCTS SHOULD BE MUTUALLY AGREED AND WILL BE ESTABLISHED IN THE CONTRACTS ON THE BASIS OF WORLD PRICES, TAKING INTO ACCOUNT THE QUALITY OF THE CRUDE OIL AND PETROLEUM PRODUCTS SUPPLIED AND TRANSPORTATION CONDITIONS. IT IS FURTHER AGREED THAT THESE PRICES WILL BE AT A LEVEL WHICH WILL ASSURE THE INTEREST OF BOTH THE GOVERNMENT OF THE UNITED STATES AND THE GOVERNMENT OF THE UNION OF SOVIET SOCIALIST REPUBLICS." THIS FORMULATIN COMBINED WITH CLAUSE 4 OF THE LETTER OF INTENT, WHICH ESTABLISHES OUR

MUTUAL INTENT TO TRANSPORT SOME PORTION OF THIS OIL TO THE U.S.
IN TANKERS USED FOR TRANSPORTING GRAIN, FULLY COVERS THE PRINCIPLES
STATED IN THE PROPOSED SIDE LETTER.

8. WE URGENTLY REQUEST YOUR AUTHORIZATION TO PROCEED AS PROPOSES
PARAS 3 AND 7 ABOVE TO PERMIT CONCLUSION OF OIL/GRAIN NEGOTIATIONS
BY TONIGHT, MOSCOW TIME.

9. IF YOU AGREE, AND IF WE ARE SUCCESSFUL IN CONCLUDING BOTH THE
GRAIN AGREEMENT AND OIL LETTER OF INTENT ON THIS BASIS, I WOULD
CONFIRM TO SOVIETS THAT WE REQUIRE 24 HOURS FOR NECESSARY CONSUL-
TATIONS IN WASHINGTON BEFORE SIGNING THESE AGREEMENTS, WHICH WOULD
THEN TAKE PLACE HEREIN MOSCOW ON SATURDAY NIGHT.
STOESSEL

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